

**Top Secret**

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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday 6 September 1977

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NATIONAL SECURITY INFORMATION

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State Dept. review completed

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National Intelligence Daily Cable for Tuesday, 6 September 1977.

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The NID Cable is for the purpose of informing senior US officials.

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ETHIOPIA-SOMALIA-USSR: Situation Report

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[ ] //In an "on the record" conversation with an American correspondent on Thursday, the Soviet Ambassador to Ethiopia said that the USSR supported Ethiopia in its dispute with Somalia. Soviet Ambassador Ratonov said that this does not mean the Soviets have abandoned Somalia, but that, given the importance of the success of the Ethiopian revolution and the principle of territorial integrity, Moscow has little choice but to back Ethiopia as long as hostilities continue.//

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[ ] //For over a month Soviet news reports and commentaries have favored Ethiopia and increasingly criticized Somalia. In early August, the Soviet Ambassador to Somalia stressed the USSR's commitment to Ethiopia and indicated growing Soviet frustration over Somali actions in the Ogaden.//

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[ ] //On the evening prior to his "on the record" statement, Ratonov told the US correspondent that Moscow wanted to remain neutral and find a means of restoring peace to the Horn of Africa as soon as possible. His reversal followed the departure of Somali President Siad from Moscow and is another indication that Siad's discussions with Soviet Premier Kosygin, Foreign Minister Gromyko, and Communist Party ideologist Suslov did not go well.//

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[ ] On Saturday, the Egyptian newspaper *An-Nahar* reported that Siad had rejected Soviet proposals for a mediated peace between Somalia and Ethiopia and for a confederation of socialist states that would include Ethiopia, Somalia, an autonomous Eritrea, and South Yemen. This idea was floated during Cuban President Castro's visit to Africa last spring.

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[ ] //The apparent Soviet decision to support Ethiopia carries a good degree of risk. Moscow probably sees it as a means of allaying reported Ethiopian suspicions of Soviet intentions and hopes that Somali dependence upon Soviet military supplies will lead the Somalis to seek a settlement with Ethiopia and not to break relations with the USSR. Moscow has continued to supply both countries with arms, but there are indications that it has been more forthcoming with Ethiopia in recent weeks than with Somalia.//

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[ ] //The central committee of Somalia's ruling party met overnight Saturday with President Siad, presumably to hear his account of his Moscow trip. While there was no official comment, a ranking Somali official subsequently told a Sudanese paper that Soviet arms supplies to Ethiopia were a threat to Somalia's security.// [ ]

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#### SYRIA: Anticorruption Campaign

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[ ] *Syrian President Asad has moved to give his anticorruption campaign greater credibility with the arrest of 15 to 20 prominent businessmen and officials of public-owned companies on bribery charges.*

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[ ] The businessmen are among the most important and richest in the country. Some of them have close ties with powerful political figures, including the President's brother Rifaat and Naji Jamil, a close adviser to Asad and a prominent candidate for the prime ministership.

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[ ] Most of the offenders are expected to be released and allowed to resume business after paying some back taxes. Nevertheless, the move has surprised many Syrians, who may now take Asad's campaign more seriously.

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[ ] Rifaat, who has become a symbol of corruption, has also declared his properties in the past few days, paid back taxes, and divested himself of one illegally held piece of property. According to some reports, he and President Asad have had a serious falling out over the corruption issue, and the President intends to remove Rifaat from his powerful position as commander of the Defense Companies and send him abroad as an ambassador.

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[ ] We are highly skeptical that there is a serious conflict between the two brothers and believe they may well have spread such a rumor to improve the President's public image.

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[ ] One source of the US Embassy says that Prime Minister Khulayfawi and Air Force intelligence chief Mohammad al-Khouli, another close confidant of Asad, were instrumental in persuading the President that the regime had to take some serious steps

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to ease popular discontent over the corruption issue. Such a campaign would likely bolster Khulayfawi's prestige, and Asad might keep him on as prime minister for at least the time being. [REDACTED]

PAKISTAN: Aftermath of Bhutto Arrest

[REDACTED] Only a few minor protest demonstrations in Pakistan followed the arrest of former Prime Minister Bhutto on Saturday, and the leaders of his party have announced that it will still participate in the election scheduled for 18 October. Chief Martial Law Administrator Zia-ul-Haq had been reluctant to move against Bhutto for fear that his followers would take to the streets or boycott the election.

[REDACTED] Zia had been under pressure to prosecute Bhutto from both the nine-party alliance that expects to win the election and from senior military officers. The arrest was the result of court action rather than Zia's orders, but Zia clearly does not intend to intervene.

[REDACTED] Zia has not postponed the election, but there is widespread speculation that he will have to do so because of Bhutto's trial. The election could also be delayed by investigations to determine whether other candidates have misused public office. As part of this process, Zia on Sunday ordered former legislators to report assets and property acquired since 1970.

[REDACTED] Bhutto's arrest further dims the electoral prospects of his party, which had hoped his ability on the stump could stave off defeat. Bhutto has applied for bail but the charges against him include murder, for which bail is usually not allowed.

[REDACTED] The former head of the Federal Security Force, who has confessed his part in several of Bhutto's alleged crimes, claims that Bhutto ordered the murder of a prominent defector from his party in 1974. The intended victim's father was killed in the unsuccessful attempt to murder the defector. [REDACTED]

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SOUTH AFRICA - NAMIBIA: Walvis Bay

25X1 [ ] *The South African Government has moved to ensure that Walvis Bay will not be considered as part of Namibia during the Western-initiated talks concerning an independence program for Namibia. South Africa announced on Thursday that it is switching the administration of Walvis Bay, Namibia's only deep-water harbor, to the Government of Cape Province.*

25X1 [ ] Officials in South Africa's Cape Province--640 kilometers from Walvis Bay--have said, however, that they will not immediately take over the administration of the port. Although South Africa has administered Walvis Bay as part of Namibia since 1922, Pretoria has long regarded it as part of South Africa.

25X1 [ ] In a related move, the South African - appointed Administrator General for Namibia arrived in Windhoek on Thursday to assume his duties during the transition period before independence. He reportedly will spend at least a month familiarizing himself with the situation before making any preparations for an election for a constituent assembly.

25X1 [ ] By putting the Administrator General in place now, the South Africans may be preparing to go ahead with their own independence program for Namibia in the event that the UN Security Council does not accept a Western proposal for appointing a special UN representative to work with the Administrator General during the transition period.

25X1 [ ] UN Secretary General Waldheim had earlier told representatives of the US, UK, France, West Germany, and Canada that contingency planning for a possible UN role in Namibia might be completed by the middle of this month.

25X1 [ ] The South-West Africa People's Organization (SWAPO), which demands that Walvis Bay be incorporated into an independent Namibia, has criticized the South African action on Walvis Bay. The chief SWAPO representative in Dar es Salaam has called Pretoria's plan "heinous" and said that if South Africa continued to occupy Walvis Bay after Namibian independence SWAPO would regard it as an "invasion."

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#### IRAN: Shah's Trip to Eastern Europe

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[ ] The Shah's visit to Poland and Czechoslovakia 22-30 August apparently did not lead to any major changes in Iran's relations with Moscow's East European allies. The Shah nonetheless achieved his objective--to demonstrate a semblance of balance in Iran's relations with East and West--and he seems satisfied that he has advanced Iranian interests in Eastern Europe.

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[ ] The Shah viewed his tour partially as a public relations effort to focus attention on Tehran's ties with Warsaw and Prague. His East European hosts, however, were more interested in Iranian oil. Both Poland and Czechoslovakia are negotiating to purchase Iranian crude.

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[ ] For the Czechoslovaks, little of substance was achieved during the visit other than an agreement on increased economic cooperation.

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[ ] The Shah was no doubt pleased with the heavy local news coverage he received in Prague, and particularly with the publicity relating to the display prepared for him of Czechoslovak military hardware. He has been annoyed with criticism in the US of Iranian purchases of advanced US military equipment and sees benefit in drawing attention to Iran's potential arms suppliers. [ ]

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#### CHINA-YUGOSLAVIA: Tito Ends Talks

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[ ] The Chinese and Yugoslavs did not issue a communique after Yugoslav President Tito concluded his talks in Peking on Saturday, probably because the two sides were unable to agree on detente, disarmament, and ideology. Yugoslav press reports, however, stressed that differences will not obstruct cooperation in other areas.

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[ ] Tito held his final round of talks with Chairman Hua Kuo-feng and then left Peking for a tour of the provinces and a rest period prior to his return to Belgrade. Accompanying him on the trip is Vice Premier Li Hsien-nien, one of the five top Chinese leaders who met with Tito in Peking.

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[ ] Reports filed by Yugoslav correspondents indicate that as a result of the talks the two sides hope to increase their bilateral trade within two years. The same reports indicate that China and Yugoslavia may cooperate in providing support for the nonaligned movement and the "new international economic order," but the nature of that support was not spelled out.

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[ ] Tito also said he foresees increased official and nonofficial exchanges between the two countries.

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[ ] Both nations dramatized the importance of Tito's visit, apparently because both see good state relations as strengthening each other's hand in dealing with the USSR. The Chinese and Yugoslavs apparently did not agree to restore party-to-party relations, although on Tito's second day in Peking, Chinese media accommodated him somewhat by referring to him by his party as well as his state title. [ ]

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#### PHILIPPINES: Increased Terrorism

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[ ] *The Philippine New People's Army (NPA), the paramilitary arm of the Maoist-oriented Communist Party, has ambushed Philippine patrols just outside the US Navy complex at Subic twice in the past week. The incidents will reinforce President Marcos' determination to maintain martial law and ride out human rights criticism of his domestic policies.*

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[ ] Since the imposition of martial law in 1972, the NPA has been lying low. In recent months Marcos has become increasingly concerned about what he believes to be both the growth and aggressiveness of the NPA, particularly in Luzon. Although the guerrilla movement does not have sufficient strength for a serious challenge to government forces, the recent incidents are the most serious since 1974.

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[ ] Marcos will probably continue to move cautiously and reluctantly to improve his human rights balance sheet but will avoid any steps that could seriously threaten his power position with the military. In a keynote address last week before the Philippine constabulary, he repeatedly defended his martial law regime and warned that dissenters would be met with force if necessary. [ ]

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INTERNATIONAL: Coffee Meeting

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[ ] Latin American coffee producers meeting in Mexico City last week failed to agree on a joint effort to halt the recent decline in coffee prices, despite some press reports to the contrary. The producers could not agree on whether the outlook for the coffee market is favorable and therefore could not formulate a common strategy.

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[ ] The producers meeting was an attempt to win public support for the creation of a stabilization fund for coffee supplies. It also was an attempt to examine the feasibility of maintaining or boosting coffee prices, which have declined 40 percent in recent months.

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[ ] Colombia and Guatemala expressed concern that consumption of coffee in major developed countries has dropped and viewed the market outlook as bearish. Brazil and other producing countries, however, viewed prospects as completely favorable to producers. With the exception of Brazil, no producing country was willing to disclose its exportable production figure, stocks, or marketing objectives. Discussion of common strategies was impossible and no action was taken.

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[ ] The failure of Latin American producers to agree on joint actions will not eliminate continued attempts by individual producers or groups of producers to manipulate prices. Brazil still intends to limit exports, and the Inter-African Coffee Organization has urged African producers not to sell coffee below \$2.65 a pound. [ ]

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#### POLAND: Harvest Problems

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[ ] *Recent heavy rains in Poland are interrupting the progress of the grain harvest and have caused some additional flooding in the past two weeks. Continued wet weather also is detrimental to root crops, which are an important source of animal feed. Losses in the grain and fodder crops will have to be made up by imports if Warsaw is to meet its livestock target.*

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[ ] Workers probably will be able to resume harvesting the grain as the weather clears early this week. Further rain, expected through at least mid-September, however, is likely to interrupt harvesting plans again.

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[ ] The grain harvest is lagging seven to 10 days behind last year's pace, and by the end of August only 80 percent of the grain was cut. The rain has forced extensive hand-harvesting of flattened grain in many areas. Where poor weather has kept farmers out of the fields, some flattened grain is reported to be sprouting and beginning to rot.

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[ ] Although the extent of the damage to the grain crop will not be known until October, the harvesting losses probably will be large. We currently project Poland's grain harvest at roughly 20 million tons. This would be nearly 1 million tons less than last year and the third consecutive poor grain harvest.

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[ ] Continued cloudy, wet weather also is damaging to root crops, such as potatoes and beets, major sources of feed for hogs. Without a drying trend before the end of the month, root crops could begin to rot.

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[ ] Losses in the output of grain and fodder crops will boost import requirements for animal feed. We expect Warsaw to

import about 5.5 million to 6 million tons of grain this year-- 25X1  
about the same as last year--to support the planned expansion  
of livestock. Polish officials have indicated that as much as 4  
million tons of grain may be purchased in the US.

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